

TEACHING DEPRECIATION TECHNIQUES IN PRINCIPLES OF ACCOUNTING: RECONCILING ACCOUNTING PROCEDURES TO THE INTERNAL REVENUE CODE

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A B S T R A C T

In most principles of accounting textbooks, there is little, if any, information available to reconcile the depreciation calculations shown in the textbooks to the Internal Revenue Code's provisions for depreciation of fixed assets. This can be a disservice to principles students, many of whom are not accounting majors. These students will most likely first encounter depreciation calculations in their personal lives through an activity such as owning rental property or starting a sole proprietorship business. In such cases, the Tax Code, not the accounting techniques shown in most principles of accounting textbooks will govern the calculations for depreciation deductions. Accordingly, the Tax Code's depreciation provisions should be shown and discussed (even if not tested) and connection points where treatments by textbooks and the Tax Code are the same should be pointed out. This will not only alert students to the fact that accounting depreciation procedures in textbooks are not the accepted Tax Code treatment, it will also highlight the relevance of methods used in the textbooks by showing the ties to the current Tax Code's provisions.